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Food Business Line - Periodic Press Translations from ATO Tokyo

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Report Highlights: *The Seiyu Co., Ltd.* to require corporate social responsibility practices from its overseas suppliers; Convenience store sales through fiscal year 2004 show growth; Major Japanese restaurant chains to launch new concepts to combat growing competition from HMR sales in convenience stores; *Fuji Nihon Seito Corporation*, succeeds in producing a new brand of inulin, a dietary fiber from sugar; Japan's food self-sufficiency rate (calorie basis) remained at 40% in FY 2004; Major food service chains give consideration for the Ministry of Agriculture's new guidelines on country of origin labeling; The Ministry of Health advises pregnant women to reduce consumption of certain of fish over concerns of mercury contamination; *American Soybean Association* works with the *Japan Federation of Miso Manufacturers Cooperatives*, to explore use of American soybean in Japanese miso.

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Food Business Line

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Retail/Wholesale

- *The Seiyu Co., Ltd.* will complete a supplier agreement with their overseas private label products manufacturers within this year. The supplier agreement will include prohibiting the use of juvenile labor and exhibiting good corporate practices favorable to the environment. The purpose is to reduce risks and to establish a similar standard of corporate social responsibility or CSR similar to that followed by head stockholder, Walmart. (a. 7/15)
- Sales at 50 convenience store operators grew by a combined 3.4% on the year, according to a fiscal year 2004 survey conducted by Nihon Keizai Shimbun Inc. Current fiscal year sales were actually collected for a total of 53 survey respondents this time, totaling 7.47 trillion yen. It seems probable that sales of convenience stores may exceed that of department stores which has been observed just below the 8 trillion yen level. (a. 7/27)
- Convenience stores are developing or planning to develop new styles in their HMR offerings. At the same time however, expanding new changes in the system throughout their outlets while thoroughly managing costs will be the key to the success. For example, *Family Mart* has declared that it will become the second largest seller of fried chicken among any food service and HMR company in Japan, and *Lawson Inc.* now has a full-scale bakery facility at its *Natural Lawson* outlets. (b. 7/27)

Food Service

- By the middle of June 2005, *McDonald's Japan's* ordinary profit fell to 77% of its level in the same month last year. It will start selling a new hamburger item and raise the price of other items beginning in July for the quick profit recovery. (a. 7/15, b. 8/12)
- *Seven Meal Service*, a subsidiary of *Seven-Eleven Japan* established in 2000, will expand its regions of home meal delivery service to 32 prefectures from the existing seven prefectures within two years. (b. 8/12)
- Major family restaurants are planning a new strategy. They will develop new restaurant concepts instead of revitalizing the existing chain restaurants, which have experienced a decrease in sales due to the boom in competition from HMR sections in major convenience stores chains. For example, *Skylark Co., Ltd.* will start fast-food style Japanese food restaurant called “Hibariya Shokudo”, and *Royal Hodings Co., Ltd.* will start a new café style restaurant called “Roy-Hot” targeting the suburban areas. (a. 7/15)
- “*Motsu Nabe*”, a hot-pot menu with beef or pork entrails, appears to be regaining its popularity in Tokyo. Restaurants specializing in “Motsu Nabe” have increased in Tokyo and in other metropolitan areas. Also, Motsu Nabe packaged meal kits (including all necessary ingredients) have sold well over the Internet. (b. 8/10)
- X-Vinn Co., Ltd., owner of the food delivery service called “Takuhai Cook 1-2-3”, will obtain MHLW's certification to sell Special Health Food to start offering low calorie food for people suffering diabetes. (b. 8/5)

Food Processing/New Products/Market Trends

- The Japanese market for chilled pizza declined during the 1990's due to the increased popularity of home delivery pizza. However, chilled pizza has regained market share since 2000 after Nippon Ham Co., Ltd. produced a larger pizza with the striking, attractive packaging, along with an improved taste. (b. 7/18)
- *Fuji Nihon Seito Corporation*, a sugar refiner has succeeded in producing its 'Fat Free Fructo Fiber' brand of inulin, a dietary fiber from sugar for the first time in the world and thus will triple its production by 2007. (a. 7/15)
- Food and drink sold in a handy retort package with a cap have increased. The initial application was used for jelly drinks. Now the packaging is used for yogurt, ice cream and salad dressing. (a. 7/5)
- Japan's food self-sufficiency (calorie basis) remained at 40% in FY 2004 and has been at this level for seven consecutive years. Total consumption of meat has decreased due to heightened awareness of BSE and Avian Influenza, while domestic production of vegetables decreased due to bad weather in 2004. (a. 8/11)
- According to the 2005 mid-year accounts of three major beer companies, two of them experienced a decrease in profit and one incurred a deficit due to the aggravated sales competition from the low priced, so-called *Third Beer* [See FBL #'s JA5506 & JA5522]. (a. 8/11)
- *Itoham Foods Inc.* said its Sydney-based subsidiary began selling Australian beef in Beijing in July, in a bid to expand overseas sales. The Japanese ham and sausage processor said Rockdale Beef, Pty aims to reach annual sales worth about 1 billion yen in China over five years by selling high-quality beef, with a price point about three times that of the average price of Chinese beef, targeting mainly affluent Chinese and Japanese customers living in China. (Kyodo News 8/12)

Food Safety/Consumer Awareness

- Food service chains including Kaiten-zushi (sushi restaurants, where the sushi dishes are presented to the customers on a conveyor belt) and Izakaya (Japanese pub diner) started labeling country of origin for their food in their menus. They have started voluntarily before the release of MAFF's guidelines to the food service industry, which is expected by the end of July. They aim to attract more customers by providing this information. (a. 7/16)
- Major *gyudon* beef bowl chains will respond differently to the upcoming release of MAFF's guidelines on the labeling of country of origin for food service. *Yoshinoya D&C* and *Zensho Inc.* are keen to follow the guidelines but *Matsuya Foods Co., Ltd.* will not for the time being. They say that it will be difficult for them to establish such a system without the risk of false labeling because they may blend meats from more than two countries and/or shift country of origin due to fluctuations in the market price. (b. 7/27)
- The Ministry of Health, Labor and Welfare (MHLW) finished the revised 'Advice for Pregnant Women on Fish Consumption Concerning Mercury Contamination'. Its recommendation is to limit the consumption of some kinds of fish that contain high levels of mercury for pregnant women or women who would be pregnant. A list of 16 kinds of fish are shown on The Ministry's home page. (a. 8/13)

ATO/Cooperator/Competitor Activities/Trade Shows

- Mr. Masaaki Iwata, Chairman of *Japan Federation of Miso Manufacturers Cooperatives*, had an interview with Mr. Brad Matson, executive of *American Soybean Association*, on “Miso Industry in Japan and Soybeans from the U.S.” on the Food Industry News. The cooperatives will send a mission to the U.S. in August and they agreed take the opportunity to start discussing conditions and specifications for U.S. soybeans in the manufacture of miso (f. 7/28)

Note: Miso is soybean combined with rice and other ingredients to be aged in cedar vats for up to three years. Miso is often consumed daily in soups and used in sauces and marinades. Annual miso production is about 600,000 MT per year.

- This summer, WR Carpenter Agriculture in Western Australia will start exporting beef to Japan containing certification for “JAS production information. They are planning to provide meat to the Japanese market from JAS certified cattle. With the name “Rick-san’s Beef”, sales are planned for supermarkets, hotels and restaurants. (b. 7/29)

 Sources

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |
| (g) Fuji Sankei Business I | (h) Pan News |

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